 PROCUREMENT AUDIT AND CERTIFICATION

BUDGET AND CONTROL BOARD
DIVISION OF INSURANCE SERVICES
INSURANCE BENEFITS MANAGEMENT SECTION
AGENCY

DECEMBER 1, 1989 - JULY 31, 1992
DATE
October 26, 1992

Mr. Richard W. Kelly  
Director  
Division of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201  

Dear Rick:

I have attached the final Budget and Control Board Division of Insurance Services Insurance Benefits Management Section procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Division a five (5) year certification as outlined in the audit report.

Sincerely,

James J. Forth, Jr.  
Assistant Division Director

JFF/jj  
Attachment
BUDGET AND CONTROL BOARD

DIVISION OF INSURANCE SERVICES

INSURANCE BENEFITS MANAGEMENT SECTION

PROCUREMENT AUDIT REPORT

DECEMBER 1, 1989 - JULY 31, 1992
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmittal Letter</td>
<td>1</td>
</tr>
<tr>
<td>Scope</td>
<td>3</td>
</tr>
<tr>
<td>Results of Examination</td>
<td>4</td>
</tr>
<tr>
<td>Certification Recommendation</td>
<td>5</td>
</tr>
<tr>
<td>Division Response</td>
<td>6</td>
</tr>
</tbody>
</table>
October 23, 1992

Mr. James J. Forth, Jr.
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Jim:

We have examined the procurement policies and procedures of the Budget and Control Board, Division of Insurance Services, Insurance Benefits Management Section for the period December 1, 1989 - July 31, 1992. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and internal procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the Division of Insurance Services, Insurance Benefits Management Section is responsible for
establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

We noted no exceptions and found the Division of Insurance Services, Insurance Benefits Management Section, to be in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Woight Shealy, CFE, Manager
Audit and Certification
SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Division of Insurance Services, Insurance Benefits Management Section, and the related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

Our audit was limited to the review of procurement activity attributed to the various employee insurance programs administered by the Insurance Benefits Management Section for the period December 1, 1989 - July 31, 1992. It did not include a general review of all procurement activity. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

1. adherence to provisions of the South Carolina Consolidated Procurement Code and accompanying regulations
2. adequate audit trails
3. evidences of competition
4. source selections
5. file documentation of procurements
6. economy and efficiency of the procurement process
RESULTS OF EXAMINATION

We reviewed all contract solicitations covering the audit period for employee insurance programs. This review amounted to six different contract solicitations. Additionally, we reviewed the system of internal controls over the employee insurance contract solicitations through testing and inquiry. Also, we reviewed the procurement policies and procedures manual. The results of these reviews revealed no audit exceptions.
CERTIFICATION RECOMMENDATION

Under the authority described in Section 11-35-1210 of the South Carolina Consolidated Procurement Code, we recommend the Budget and Control Board, Division of Insurance Services, Insurance Benefits Management Section be recertified to make direct agency procurements for five years as follows:

<table>
<thead>
<tr>
<th>Procurement Area</th>
<th>Recommended Certification Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Insurance Programs</td>
<td>Unlimited</td>
</tr>
</tbody>
</table>

NOTE: Five year certification is being recommended to run concurrent with five year contract time periods.

Robert A. Aycock, IV
Audit Supervisor

R. Vought Shealy, CFE, Manager
Audit and Certification
October 1, 1992

R. Voight Shealy, Manager
Audit and Certification
Materials Management Office
Division of General Services
1201 Main Street, Suite 600
Columbia, SC 29201

Re: Response to audit report for insurance benefits procurements

Dear Voight:

We concur in your opinion that no exit conference is necessary for the report mentioned above. We are pleased that your examination of the six contract solicitations during the period revealed no audit exceptions, and appreciate your recommendation for recertification. The Division of Insurance Services will continue to be committed to a contract solicitation process for its benefits programs in complete accordance with State procurement guidelines and procedures.

Sincerely,

James E. Bennett, CPCU
Director
Division of Insurance Services